



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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SCOTTSDALE MAN ARRESTED FOR DEFRAUDING INVESTORS IN VIATICAL SCHEME

PHOENIX – Authorities nab a 34-year-old Scottsdale man accused of selling fraudulent viatical settlement investment contracts to Arizona investors. The arrest culminates a five-year investigation by the Arizona Corporation Commission's Securities Division and the Arizona Attorney General's office.

Scottsdale police arrested Richard Dean Carrington, aka Richard Dean Frank, outside his Scottsdale home on Thursday, June 26, 2003. Carrington is now awaiting arraignment while in police custody at the Madison Street Jail.

Carrington is charged with 14 criminal counts of theft and two counts of fraud schemes through the operation of Carrington Estate Planning Services and Carrington Investment Services.

This is not the first time Carrington has found himself on the wrong side of the law. In two separate cases, the Commission charged Carrington with multiple and repeat violations of Arizona securities laws. In February 1998, Carrington agreed to stop selling unregistered promissory notes and entered into the Commission's consent order to pay fines and penalties totaling \$10,000.

In May 2002, the Commission charged Carrington for defrauding over 600 investors who purchased \$29 million in viatical contracts. The Commission ordered Carrington to pay \$500,000 over a three-year period of time, pay a \$50,000 fine and turn over all remaining policies to a third-party escrow agent. The \$500,000 was to be used for the ongoing cost of insurance premiums, which the investors are now faced with keeping current. Carrington entered into this second consent order and initially made a \$50,000 restitution payment, but failed to make any additional payments.

Originating as a way to help the gravely ill pay their bills, viatical settlement contracts involve people selling the future death benefits of an insurance policy to investors. When the ill or elderly policyholder dies, the investors would receive the proceeds of the policy. But these types of contracts are high-risk, complex investments. One reason the investment is risky is that it is difficult to accurately predict when someone will die. Also, some policies are obtained fraudulently and the benefits may be denied by the issuing insurance companies.

Prior to investing in viatical or life settlement investment contracts, the public should obtain information from the Commission's Securities Division at 602-542-4242, toll free outside the Phoenix Metropolitan area at 1-877-811-3878. The Division's website also has helpful information for investors, including a brochure about viaticals.

The main website is www.ccsd.cc.state.az.us and the viatical brochure can be viewed at:

http://www.ccsd.cc.state.az.us/investor_education/Brochures/Product%20Information/pdf/Viaticals.pdf.

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